The EFG-Hermes Middle East & Africa Telecom Fund
December 2012

Fund Manager's Strategy & Outlook

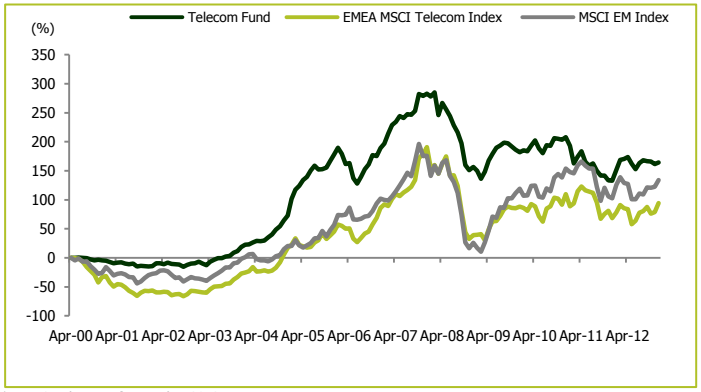
The EFG-Hermes Telecom Fund gained 1% during December to bring its FY 2012 return to 13.5%. This compares to a 6.9% return for the S&P Pan Arabia Composite LargeMidcap Total Return Index – the broadest measure of markets in the Middle East and North Africa (MENA) region. Markets in general were strong as we closed the year, buoyed by signs that the US Fiscal Cliff would be avoided at the last minute. In our part of the world, a public appearance by HRH King Abdullah allayed concerns about his health and Saudi succession fears. Furthermore, Egypt's contentious constitution was approved by 64% of the population, giving some respite to that volatile market. Our holdings in these two markets were the main drivers of our performance during the month. On a slightly negative note, new regulations in the UAE had an adverse effect on our holding in that market.

In Saudi Arabia, the market staged a sharp rebound following the November sell-off. Concerns about the King's health and subsequent succession issues had driven the market lower during the previous month. A brief appearance by the King on TV put paid to those concerns and the market rallied. Our holdings in that market, Etihad Etisalat and Saudi Telecom Company, gained 5.2% and 7.4% respectively.

Meanwhile in Egypt, the political and social stand-off over the new constitution simmered down as Egyptians approved the new document by 64%. Despite the low turnout of 32%, meaning that only 20% of the population approved the document, the market recovered as hopes of a more stable environment and conclusion to the long running IMF saga took hold of that market. We had used the volatility during the month to add Telecom Egypt to our holdings. The country's incumbent integrated telecom provider had reached attractive levels offering a dividend yield of over 11%, and represented a compelling value proposition. Our holdings in that market, Orascom Telecom Holding, Telecom Egypt and Orascom Telecom Media and Technology gained 15.4%, 13.8%, and 7.8% respectively during the month.

The only negative during the month was in the UAE, where new regulations caused a fundamental change in our investment view. Our holding in Emirates Integrated Telecom Company (Du) had been a good investment for the fund and contributed around 150 basis points (bps) to the fund's 13.5% return for 2012. However, a new royalty regime announced during the month was punitive to long term shareholders, charging a reduced royalty on the bottom line but introducing progressive royalties on revenues. The investment manager decided to book profits and close the position as our core investment thesis had changed.

Overall, a strong end to a robust year for the EFG-Hermes Telecom Fund provides confidence as we enter 2013. In a year when global markets were volatile and investors were skittish about many topics (European Union sovereign defaults, US Fiscal Cliff, Chinese hard landing etc) and good yields were hard to find, a 13.5% return is testament to our medium-long term investment view. As we enter the new year we continue to focus on fundamentals and long term capital appreciation to reward our investors.



* Line Graph is as of December 2012.

EFG-Hermes Asset Management

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Objective

Long-term capital appreciation through investing in listed and unlisted equities and equity-related securities of telecommunications, media, entertainment, information technology, internet and e-commerce companies and related infrastructure companies established or operating in the Middle East and Africa.

Fund Performance

Returns	Telecom Fund
Month to Date*	1.0%
Year to Date	13.5%
2011	-24.5%
2010	9.2%
2009	9.9%
2008	-33.1%
2007	32.5%
2006	4.0%
2005	60.6%

Returns	Telecom Fund
1 year	13.5%
3 year	-6.3%
5 year	-31.1%
Since Inception	164.0%

* MTD figures reflect performance between November 29th, 2012 and December 31st, 2012.

Fund Characteristics

No. of Holdings	11
Wtd. Market Cap	USD 9.6 billion
Dividend Yield*	13.0%
P/E Ratio 13	12.9x

*Figure reflects the weighted average yield of a dividend-bearing security in the fund

Fund Metrics*

Beta	0.3
Annualized Standard Deviation	13.9%
Annualized Information Ratio	11.7%

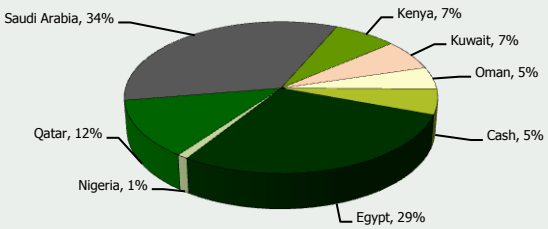
*Calculated vs. MSCI EMEA Telecom Index since Fund inception in April 2000

Top Five Equity Holdings

Holding	Country*	% of NAV
Etihad Etisalat	Saudi Arabia	17.5%
Orascom Telecom Holding	Egypt	11.7%
Qatar Telecom	Qatar	9.9%
Saudi Telecom	Saudi Arabia	9.8%
Access Kenya	Kenya	7.0%

* Country assigned by primary listing

Allocation by Country



Fund Data

NAV per share	USD 26.40
No. of Share Certificates	666,613
Launch Date	April 2000
Management Fee	1.75%
Incentive Fee	15%
Benchmark	10% with a high watermark
Expense Ratio	2.4%
Minimum Subscription	USD 10,000
Subscription / Redemption	Monthly

Fund Identifiers

ISIN	BMG294021073
Bloomberg Ticker	EFGHTEL BH

This update does not constitute an offer of shares and should not be relied upon by any person acquiring or otherwise dealing in shares of the company. Subscription of shares in the company may only currently be made on the terms of the Placing Memorandum of the company. It should be noted that investment in the fund is only suitable for sophisticated investors who are aware of the risks of investing in The EFG-Hermes Telecom Fund Limited and should be regarded as long term. Please remember that past performance is not necessarily a guide to the future. Market and currency movements may cause the value of shares and the income from them to fluctuate and you may get back less than you invested when you decide to sell your share.